

Internal Revenue Service

District
Director

Department of the Treasury

P.O. Box 1618, GPO Brooklyn, N.Y. 11282

Date: **FEB 24 1984**

Person To Contact:

[REDACTED]

Contact Telephone Number:

[REDACTED]

Refer Reply to:

[REDACTED]

CERTIFIED MAIL

Gentlemen:

We have considered your application for recognition of exemption under section 501(c)(7) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated [REDACTED] under the laws of the State of [REDACTED]. Your purposes are: to develop and improve the spiritual, social and physical condition of youngsters by encouraging their participation in gymnastics and gymnastic competition and to help raise and collect funds to be used to foster competition and develop the [REDACTED] team now in existence and to enable them to perform and compete outside the [REDACTED] area.

Your membership consists of the parents, guardians and coaches of the gymnasts designated as members of the team known as the [REDACTED]. You have approximately [REDACTED] members. Your activities are limited to raising money to assist gymnasts who could not financially support competition costs. You are funding about [REDACTED] girls and boys who are related to the officers, directors and members of your organization. The Booster Club supports the team as a whole. The Booster Club has no instructional activity of its own for the team members. You presently sell homemade food at your home meets and are seeking financial support from area businesses.

Your income is from the sale of pins, raffles, garage sale items, dues and interest. Schedule D of Application Form 1024 stated that gross receipts from nonmembers for the use of club facilities was [REDACTED]% of your income. Your disbursements are for supplies, stationery, tables, coaching, travel, registration fees, rooms and lodging.

Section 501(c)(7) of the Internal Revenue Code provides for the exemption of "Clubs organized for pleasure, recreation and other non-profit purposes substantially all of which are for such purposes and no part of the net earnings may inure to the benefit of any private shareholder."

Section 1.501(c)(7)-1(a) of the Income Tax Regulations states that exemption will be granted to social and recreational clubs which are supported solely by membership fees, dues and assessments.

Section 1.501(c)(7)-1(b) of the Regulations states that a club which engages in business, such as making its social and recreational facilities available to the general public or by selling other products is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a). Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in business and is not being operated exclusively for pleasure, recreation or social purposes.

Public Law 94-568 states that social clubs exempt under section 501(c)(7) are permitted to receive up to 35 percent of their gross receipts, including investment income, from sources outside of their memberships without losing their exempt status. Within this 35 percent of the gross receipts should be derived from the use of a social club's facilities or services by the general public. This means that an exempt social club may receive up to 35 percent of its gross receipts from a combination of investment income and receipts from nonmembers, so long as the latter does not represent more than 15 percent of total receipts.


On the basis of the evidence presented, we hold that you are organized and operated primarily for the purpose of raising funds from the general public to support the activities of the children of your officers, directors and members. Consequently, since you are not being operated exclusively for pleasure, recreation, or social purposes, you do not qualify for exemption under section 501(c)(7) of the Code.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with the determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

Sincerely yours,


District Director (Adm.)

Enclosure: Pub. 892